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Message Text

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73
ACTION NEA-10

INFO OCT-01 EUR-12 EA-07 ISO-00 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 SAB-01 SAM-01 L-03 /102 W
---------- 041174
R 271500Z FEB 76
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 491
INFO AMEMBASSY ABU DHABI
AMEMBASSY BONN
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY MOSCOW
AMEMBASSY TEHRAN
AMEMBASSY TOKYO

C O N F I D E N T I A L CAIRO 2635

E.O. 11652: GDS
TAGS: EGEN, EAID, OVIP (ROBINSON, CHARLES W.)
SUBJECT: ROBINSON-ABU ISMAIL MEETING

1. SUMMARY: GOE MINISTER OF FINANCE, DURING CALL BY UNDER SECRETARY ROBINSON, CONFIRMED THAT SAUDIS HAVE PROMISED $300 MILLIN GRANT AND THAT TOTAL GRANTS FROM CURRENT SADAT MISSION TO SAUDI ARABIA AND GULF STATES EXPECTED TO REACH $6-700 MILLION. GULF ARABS ALSO CONSIDERING CREATION OF ARAB-EGYPT FUND WITH TOTAL CAPITAL OF $2 BILLION, OF WHICH $500 MILLION MAY BE AVAILABLE FOR LENDING TO EGYPT IN 1976. MINFIN STATED GOE FINANCIAL DIFFICULTIES REQUIRE INFUSION IN 1976 OF AT LEAST $1000 MILLION FROM NON-ARAB SOURCES, (HE IMPLIED ADDITIONAL TO PRESENT AID EXPECTATIONS), OF WHICH HALF COULD BE ON EXTENDED "COMMERCIAL" TERMS. MINFIN ALSO REVIEWED
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GOE PERFORMACNE IN ECONOMIC FIELD, PROSPECTS FOR 1976 AND

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STATUS OF SOVIET DEBT. UNDER SECRETARY EXPRESSED WILLINGNESS
OF US TO SUPPORT EGYPTIAN INITIATIVE IN MARSHALLING AID FROM NON-ARAB
SOURCES, BUT NOTED HIS VISIT IS EXPLORATORY AND STRESSED NEED FOR GOE
TO TAKE STEPS TO STRENGTHEN ITS CREDIBILITY WITH OECD AID
DONORS. THEY EXPLORED POSSIBLE NEW APPROACH TO REFINANCING

EGYPT'S DEBTS TO FOREIGN COMMERCIAL BANKS. END SUMMARY.

2. UNDER SECRETARY ROBINSON, AMBASSADOR AND AIDES CALLED
ON MINFIN FEBRUARY 26 AS FIRST STOP ON SCHEDULE OF
APPOINTMENTS WITH GOE OFFICIALS CONCERNED WITH EGYPT'S CURRENT
FINANCIAL STRAITS. MINFIN ABU ISMAIL ANNOUNCED THAT SAUDIS
HAVE AGREED TO $300 HUNDRED MILLION GRANT AS RESULT SADAT
TRIP AND HE HOPED THAT MISSION OF PRESIDENT WILL RESULT
IN TOTAL OF $6-700 MILLION FROM ARAB STATES. MINFIN ALSO
SAID ARAB/EGYPTIAN FINANCIAL ORGANIZATION IS UNDER DISCUSSION
AS MEANS TO HELP GOE OVER NEXT FIVE YEARS. HE MENTIONED
FIGURE OF $2000 MILLION AS POSSIBLE CAPITALIZATION AND AVERRED
THAT SOME 25 PERCENT OF THIS SUM, OR $500 MILLION, COULD BE
MADE AVAILABLE TO EGYPT THIS YEAR. HE EXPRESSED
EXPECTATION THAT ARAB/EGYPTIAN FUND WOULD COME INTO
BEING THREE OR FOUR MONTHS HENCE.

3. MINISTER REVIEWED PERFORMANCE OF GOE IN REDUCING
SHORT TERM DEBT TO FOREIGN COMMERCIAL BANKS IN 1975 FROM
LE 945 MILLION TO LE 700 MILLION AT END OF YEAR. HE SAID
BUDGET FOR 1976 CALLS FOR FURTHER REDUCTION OF COMMERCIAL
FACILITIES TO LE 545 MILLION. MINISTER NOTED THAT GOE HAS
BEGUN TO TAKE SOME OF ECONOMIC MEASURES DISCUSSED WITH
IMF, SUCH AS PROVISION OF ADDITIONAL PARALLEL MARKET FUNDS
AND REVISED PARALLEL MARKET EXCHANGE RATE, INCREASE IN
GASOLINE PRICES, AND INCREASED TAX COLLECTIONS.

4. ON SUBJECT SOVIET DEBT, ABU ISMAIL SAID GOE HAD ASKED
FOR 10 YEARS GRACE WITH 40 YEAR REPAYMENT PERIOD FOR COMMERCIAL
DEBT AND 50 YEAR REPAYMENT PERIOD FOR MILITARY PORTION OF
OBLIGATION, AND FOR NO FURTHER INTERST OBLIGATIONS ON MILITARY
DEBTS. SOVIET'S POSITION, ACCORDING MINFAIN, IS THAT THREE-
FOURTHS SHOULD BE PAID OVER NEXT 10 YEARS. HE ACKNOWLEDGED
THAT GOE IS MAKING PAYMENTS NOW ON SOVIET ECONOMIC DEBT ONLY THROUGH
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MEDIUM OF TRADE IMBALANCE, WHICH WAS LE 90 MILLION IN SOVIET
FAVOR IN 1975. MINFIN EXPRESSED FEAR THAT MOSCOW WILL IMPOSE
RESTRICTIONS ON RAW MATERIAL AND OTHER SHIPMENTS ON WHICH
EGYPT IS DEPENDENT, LEADING TO ANOTHER SURPLUS IN FAVOR OF
THE USSR IN 1976 WHICH WOULD BE ATTRIBUTED TO REDUCTION
OF THE EGYPTIAN DEBT.

5. ABU ISMAIL NOTED THAT EARNINGS FROM ABU RUDEIS OIL

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FIELDS ALONE ARE ESTIMATED AT $200 MILLION FOR 1976 AND
EARNINGS FROM SUEZ CANAL WILL BE ON ORDER OF $500 MILLION
BY 1980. HE DID NOT HOLD OUR ENCOURAGEING PROSPECTS FOR COTTON
INCOME, HOWEVER, BECAUSE MOST OF 1975 CROP WAS CONTRACTED
TOO EARLY TO CASH IN ON CURRENT HIGHER PRICES. "MOST" IS
GOING TO HARD CURRENCY BUYERS, HE SAID.

6. MINFIN ASKED HELP OF US IN MARSHALLING ADDITIONAL
CURRENT ACCOUNT FINANCING AMOUNTING TO "AT LEAST $1,000
MILLION" FROM NON-ARAB SOURCES, PRINCIPALLY RELATING THIS
TO EGYPT'S NEED TO REDUCE FOREIGN DEBT SERVICE. MINFIN
SUGGESTED POSSIBILITY OF OBTAINING AS MUCH AS HALF OF THIS
FROM COMMERCIAL BANKS, SO HE HOPED SUCH REFINANCING
TERMS COULD BE ON SEVEN YEARS TERMS AS FAVORABLE INTEREST
WITH THREE YEAR GRACE PERIOD.

7. UNDER SECRETARY STATED WILLINGNESS OF USG TO HELP, BUT
POINTED OUT THAT MOST EFFECTIVE USG ROLE WOULD BE IN SUPPORT
OF EGYPTIAN REQUEST TO OTHER COUNTRIES. HE STRESSED THAT
CLOSE COOPERATION WITH IMF AND IBRD IS BEST MEANS
OF BUILDING EGYPTIAN CASE FOR AID FROM OTHER OECD COUNTRIES.
UNDER SECRETARY NOTED US CAN ONLY ENCOURAGE US BANKS
TO CONSIDER REFINANCING COMMERCIAL LOANS ON FAVORABLE
TERMS. THEY DISCUSSED IN VERY TENTATIVE TERMS SOME MEANS
OF OBTAINING REFINANCING THROUGH USE OF THIRD COUNTRY
GUARANTIES AND AGREED TO CONSULT FURTHER ON THIS IDEA.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, GRANTS, MINISTERIAL MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 27 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976CAIRO02635
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760075-0858
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976027/aaaaaewc.tel
Line Count: 142
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 10 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 MAY 2004 by BoyleJA>; APPROVED <16 AUG 2004 by ElyME>
Review Markings:

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US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ROBINSON-ABU ISMAIL MEETING
TAGS: EGEN, EAID, OVIP, EG, XF, (ROBINSON, CHARLES W)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006